

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL TEN)

Docket No. RM2020-2

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE  
REGARDING PROPOSAL TEN  
(March 9, 2020)

Initial comments regarding Proposal Ten were filed in this docket by the Public Representative on February 28, 2020. The Postal Service hereby offers its reply comments.<sup>1</sup> As explained below, the merits of Proposal Ten are sound, and criticisms offered by the Public Representative provide no valid basis to reject the proposal.

The Public Representative Comments (PR Comments) are extensive, wide-ranging, and quite technical in nature. Consequently, the most effective way for the Postal Service to reply is to have Professor Bradley assess and respond to those comments in a separate analysis. The document Professor Bradley has prepared is attached to these reply comments electronically. As he demonstrates, the PR Comments unfortunately are of little value to the Commission in either evaluating or refining the Postal Service's proposal. Instead, they turn out to be a set of unsupported assertions that appear to misunderstand and thus mischaracterize that proposal. As a result, they cause the Public Representative to make a dramatic (but entirely unwarranted) recommendation: complete rejection of both the established methodology and of the Postal Service's proposal. Yet the Public Representative does not present

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<sup>1</sup> A separate motion has been submitted by the Postal Service today seeking leave to file these reply comments.

an alternative approach, except to hope that something might, somehow, emerge from a vaguely-defined Technical Conference.

As fully detailed by Professor Bradley, in making this recommendation, the PR Comments manifest disqualifying flaws. They disregard the work plan articulated by the Commission for updating and refining the Postmaster variability, ignore the Commission's development of attributable costing methodology over the last thirty years, and seek to restore an outdated and impractical approach to costing. In the current environment, such an approach would likely preclude the Postal Service from ever updating the Postmaster variability.

Professor Bradley also explains why the criticisms made by the Public Representative of the choice of a series of dichotomous logistic models rather than a single polychotomous logistic model do not withstand scrutiny. The Public Representative is not applying the econometric literature correctly. His suggested alternative estimation procedure is not appropriate for the type of variable under analysis. Likewise, the Public Representative misconstrues the sensitivity analysis conducted by Professor Bradley. Properly viewed, the sensitivity analysis effectively buttresses the econometric results incorporated into Proposal Ten, and constitutes a further basis to approve the proposal.

### Conclusion

As discussed at length in the attached document prepared by Professor Bradley, the Commission should not be deterred by the initial comments of the Public Representative from approval of the proposal. Proposal Ten represents a major

improvement relative to the established estimate of the variability of Postmaster costs derived nearly four decades ago, and much better reflects the current operating environment for this aspect of the Postal Service organization.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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